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Annual Report 1967



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Highlights

FINANCIAL

	1967	1966
Revenues.....	\$199,187,000	182,232,000
Net income.....	8,218,000	8,431,000
Net income per share.....	1.78	1.92
Dividends:		
Preferred and Preference Stock...	1,198,000	998,000
Common Stock (50 cents a share)	1,974,000	1,938,000
Capital and exploration expenditures.	34,003,000	31,662,000
Depreciation, depletion and amortization.....	13,100,000	11,307,000
Working capital.....	42,409,000	34,180,000
Long-term debt.....	64,856,000	60,750,000
Total assets.....	269,745,000	231,249,000
Stockholders' equity.....	132,483,000	110,802,000

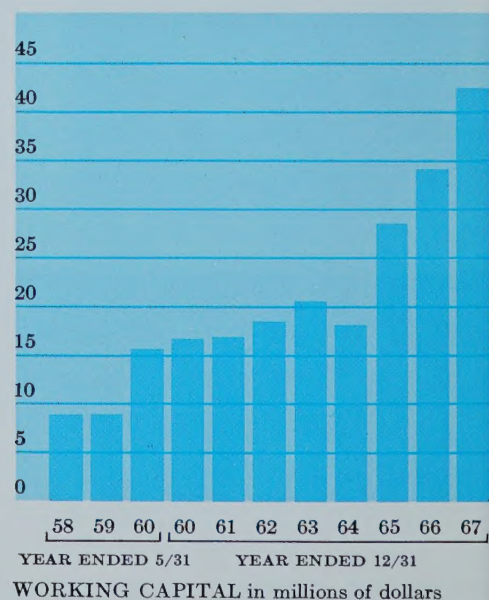
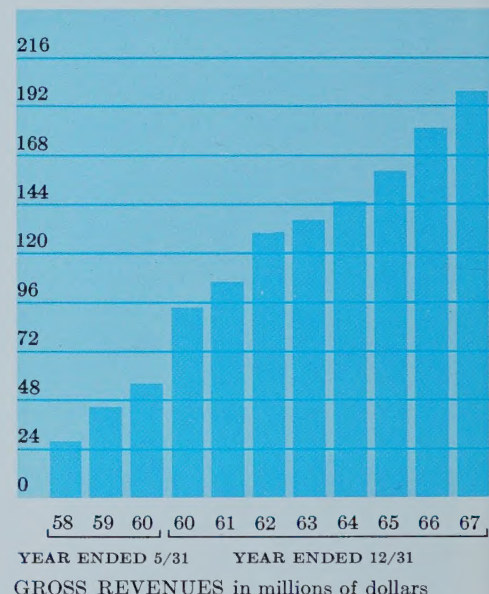
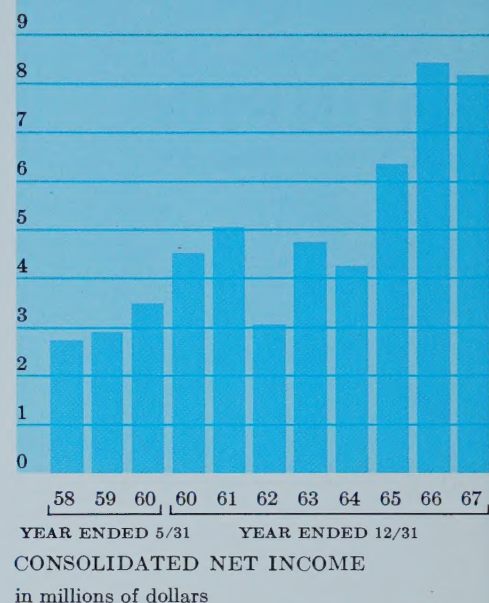
STOCKHOLDERS AND EMPLOYEES

Stockholders—end of year.....	4,980	5,228
Shares outstanding—average.....	3,916,679	3,876,191
Employees—end of year.....	3,873	3,634
Salaries, wages and employee benefits	\$23,881,000	21,347,000

OPERATING

(Barrels per day except gas)

Crude oil and gas liquids produced..	20,200	19,600
Gas sold (thousand cubic feet per day)	51,700	49,600
Refinery runs.....	48,100	45,400
Petroleum products sold.....	78,100	70,100



To the Stockholders

"A remarkable year," said one of the leading trade publications in describing 1967. So it was with Murphy Oil Corporation.

Development of our first oil field in the Persian Gulf was completed, the pipeline and port of loading to serve it well advanced and a second discovery made. Exploration drilling of our Libyan concessions commenced, and on evidence received later the well under way at year-end appears to have discovered oil.

Crude oil production, refinery runs and refined product sales all rose to record levels. Natural gas production also increased over last year, although not to a record.

Offshore drilling revenue rose sharply to new highs as our affiliate Ocean Drilling & Exploration Company commissioned additional equipment for service in several parts of the world.

Standing timber reserves increased to a record volume despite a greater harvest.

And such diverse problems as closure of the Suez Canal, devaluation of the pound sterling, higher interest rates, and rapidly inflating costs had to be faced.

Net income eased, as we indicated would likely be the case, from the rather sharp peak of 1966. Record volumes, higher selling prices and operating efficiencies more than offset steepening inflation of costs across the board, including that of purchased crude oil and write-down of current accounts stated in pounds sterling. But those strong factors were not quite sufficient to overcome as well two large increases in costs attributable to still further intensification of our aggressive development program. First of these is higher interest and preference dividends paid on senior capital raised to finance important facilities (notably the port and pipeline in the Persian Gulf and drilling barges) which will not come into service until 1968 or which were productive only a portion of 1967. The second is exploration cost, which rose \$1,400,000 above the \$5,500,000 absorbed a year ago, itself a record. A comment on exploration cost may be found useful in analyzing net income.

Under our accounting system capital outlays that result in dry holes, surren-

dered acreage, many of the geophysical surveys and all of such running costs as lease rentals and maintenance of the exploration staff are charged directly against income in the year incurred. In 1967, these charges totaled \$6,900,000, about \$1.80 per Common share.

Cash flow increased to a record \$23,800,000, \$5.74 per share.

Capital expenditures continued at a high level. This is a consequence of the international development about which we have been accounting to stockholders for some years now. That program is unfolding in remarkably close conformity to the blueprint. While the work remaining cannot be taken lightly, the most troublesome problems now are those arising from growing disorder in the world of finance and commerce—U. S. controls on transfer of capital abroad, devaluation of currencies, continued closure of the Suez Canal and inflating costs which rise against a ceiling competitive forces impose on our selling prices.

Transfers of capital abroad required to complete the crude oil handling system to bring the Sassan Field in Iran onstream as planned in mid-1968 and to carry out our exploration program in the North Sea and Libya, the latter being particularly promising, are all subject to the recently imposed U. S. controls on foreign direct investments. However, the Company has filed an application for exemption of these projects, principally on the basis that they were subject to contracts entered into in good faith long before the imposition of such controls.

Sufficient refining capacity is under contract in plants of others in Canada and the Mediterranean until the early seventies to provide outlets for a large part of expected Iranian crude. Sites have been selected for construction of our own refineries in Canada and Great Britain as those agreements expire. Our business in Canada has long been established so that it could, if forced, become substantially independent of U. S. capital. Resources and earnings of our companies in Sweden and Great Britain, linked to large oil reserves so as to constitute an integrated system, are such that these

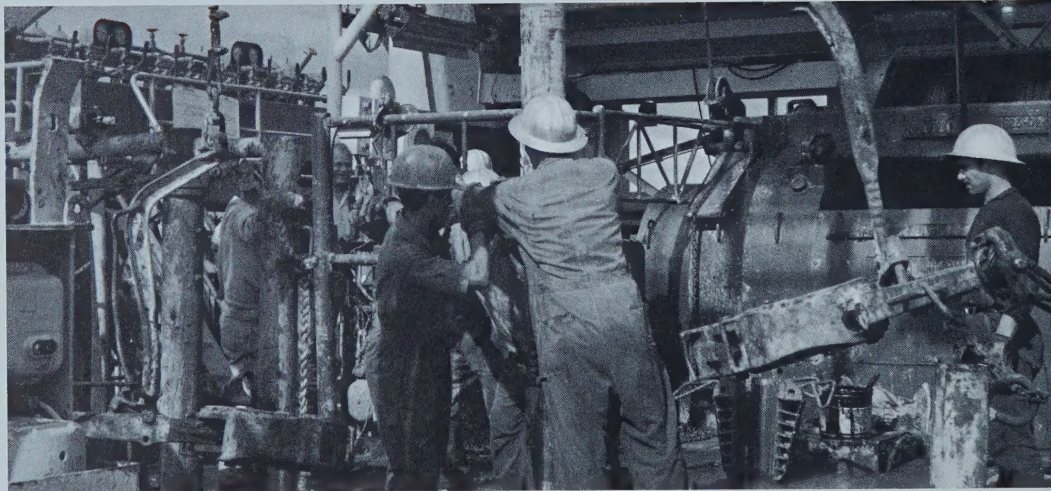
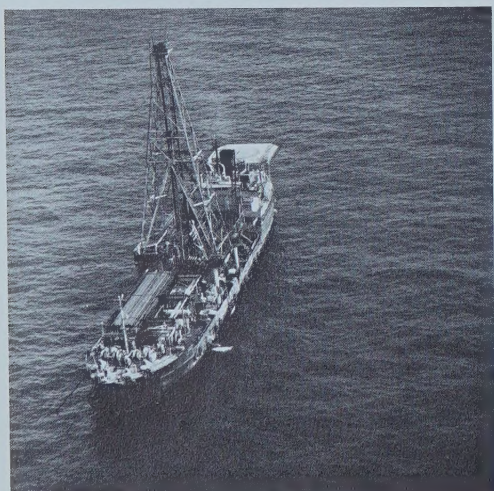
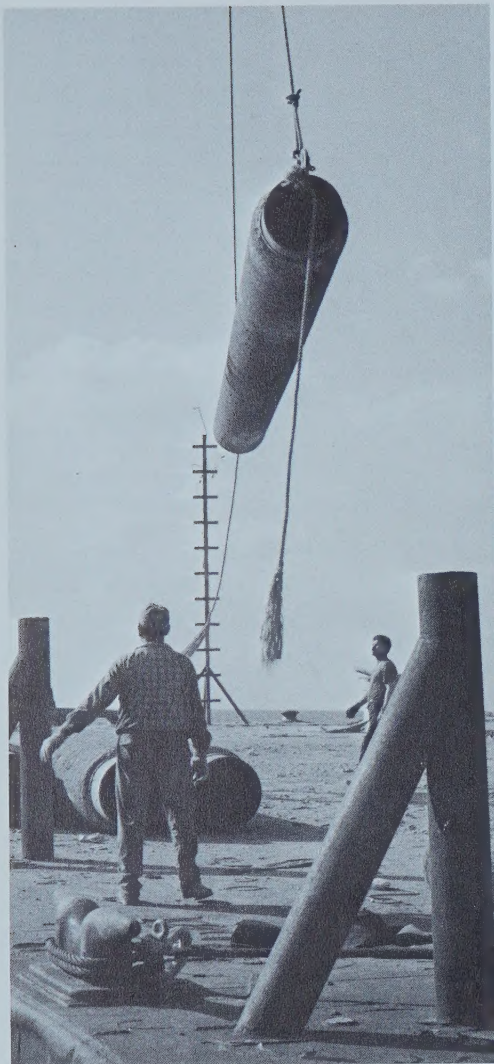
affiliates should likewise become capable of a large degree of self-support by the time permanent financing for our refinery there must be arranged.

Murphy Oil Corporation is in a strong position to go into exciting but uncertain times. Record cash flow, continued plow-back of earnings into the business and issue of a new series of Preference Stock raised total assets above the quarter-billion-dollar level for the first time. Net working capital stood at \$42,400,000, also a new high for any year-end, and included \$24,100,000 in cash and marketable securities.



President

March 6, 1968



The largest pipeline ever laid at such depths will carry crude oil from Sassan Field in the Persian Gulf to the newly constructed port of loading on Lavan Island. The 22-inch pipeline is 88 miles long and is under water 306 feet deep at its lowest point. Forty-foot sections of pipe coated with concrete and asphalt weighed 4,000 pounds each. Preparation and laying of the pipeline and construction of the port turned the usually placid Lavan Island into a bustling center. At lower left, a floating drilling rig in the Persian Gulf at work on an exploration well for Lavan Petroleum Company.

DRILLING RECORD	1967	
	Gross	Net
Oil wells completed . .	59	26.32
Gas wells completed . .	11	3.13
Dry holes drilled	52	18.24
Total wells completed	122	47.69
Wells drilling at year-end	12	3.99
PRODUCTIVE ACREAGE AND PRODUCTIVE WELLS		
	Gross	Net
December 31, 1967:		
Productive Acreage	1,058,911	74,686
Total Number of Productive Wells	5,737	619
December 31, 1966:		
Productive Acreage	880,162	70,712
Total Number of Productive Wells	5,497	602

Production and Exploration

Development of the Sassan Field in the Persian Gulf and construction of supporting facilities to bring that field onstream in 1968 received major emphasis during 1967. As the year ended, renewed attention was directed to exploration elsewhere.

Oil production in 1967 reached a new high of 20,200 barrels a day, 3 percent higher than in 1966. Production in the inland United States declined somewhat, but slight increases in Venezuela and Canada and a 40-percent improvement in offshore Louisiana resulted in a record level of production.

Net natural gas production increased 4 percent to 51,700,000 cubic feet a day.

UNITED STATES

Most onshore drilling activity was directed toward development of older fields and evaluation of leases by farmout. Murphy drilled a successful wildcat well in Montana to discover a small but lucrative oil field. It also participated in the drilling of five successful development oil wells and three gas wells. In addition, there were five oil completions in a unit in which the Company owns a minor interest. Fourteen exploratory wells were drilled.

Murphy participated with others in the acquisition of three 5,000-acre Federal leases in offshore Louisiana and in continuing geophysical preparations for future offshore sales. The Company also acquired regional and detailed geophysical control in portions of offshore Louisiana and Texas and in the Cook Inlet-Shelikof Straits of Alaska.

Offshore Louisiana, three additional wells were drilled on deepwater leases acquired at the March 1962 Federal lease sale. The term of these leases has been extended by shut-in wells capable of production, but full-scale development has not been undertaken.

Other development drilling in the offshore Louisiana area was centered in the oil productive South Pelto Block 20 Field and Ship Shoal Block 113 Field and in the Vermilion Block 16 Field, which is a prolific gas-condensate producer. Five development wells were completed in South

Pelto Block 20, 12 in Ship Shoal Block 113 and 3 in Vermilion Block 16. Production from these fields was raised to record levels by this new drilling and an active remedial and recompletion program.

Late in the year, the Company participated in a gas discovery in Eugene Island Area Block 89. Evaluation will require additional drilling.

An important wildcat test was started in Wayne County, Mississippi, where Murphy is drilling a 17,500-foot Jurassic test.

Seven projects were undertaken to waterflood and otherwise improve recovery mechanisms of existing fields. These projects were made possible through the formation of large units, usually fieldwide in scope. Their full effect in offsetting normal declines in production should appear in 1968. Other such projects are planned.

IRAN

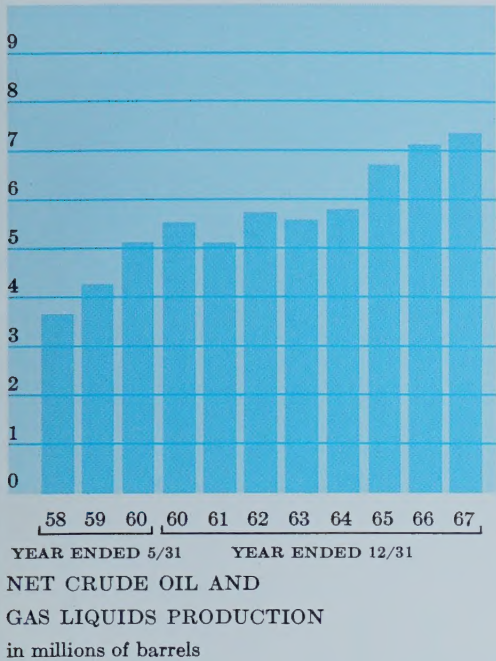
Activities in the Persian Gulf accounted for a substantial portion of the Company's production and exploration expenditures in 1967. Lavan Petroleum Company, an operating entity owned one-half by the National Iranian Oil Company and one-eighth each by subsidiaries of Murphy, Atlantic Richfield Company, Sun Oil Company and Union Oil Company of California, carried out an ambitious program to complete the drilling of development wells in the offshore Sassan Field, to begin construction of the comprehensive facilities required to put the field into production and to evaluate other areas by exploratory drilling.

The last of the 11 Sassan Field development wells planned for 1967 was completed early in 1968, bringing the total number of field wells to 16 and completing the development program. The laying of a 22-inch pipeline spanning the 88 miles of deep water between the Sassan Field and Lavan Island was completed early in 1968. Other producing facilities in the field were under construction at year-end.

On Lavan Island, the first of six 500,000-barrel crude oil storage tanks was substantially completed and others were in various stages of construction. Fabrication and construction was begun on a



Murphy refineries at Superior, Wisconsin and Meraux, Louisiana produced more than 48,000 barrels of product a day, establishing a record. Included in the production at Superior was almost a million barrels of asphalt, a product of increasing importance at that refinery.



deepwater dock capable of berthing 200,000-ton super tankers. Although the closing of the Suez Canal in June caused some delays, it appears that the entire project will be completed as planned for production to begin in mid-1968.

A highlight of the exploratory program was the completion of a discovery well on the "W" structure in Block 3, the middle tract of three in the Persian Gulf that were granted to the Lapco Group in late 1964.

Two exploratory wells on the "H" structure in the northern part of Block 3 provided inconclusive evidence of productive capacity and will require further evaluation.

A well drilled and suspended temporarily by Lapco early in 1966 on the northernmost of the three blocks tested the best structural possibility on Block 1 and found only minor shows in the penetrated objectives. Studies of all available data, including those obtained by other parties from subsequent deep wells in the general area, led to conclusions that the block held no commercial potential in deeper zones. The block was relinquished in December.

Further drilling of untested or partially tested structures is planned for 1968.

VENEZUELA

There was no drilling during 1967 on the four Venezuelan concessions in which the Company has an interest. Efforts were concentrated on recovery from presently producing tracts.

At year-end, construction was nearing completion on the Lamargas I gas injection plant, a 120-million cubic foot per day plant designed to serve the Campo Lamar Field in the central Lake Maracaibo area. The Company has a 3.24-percent interest in Lot 17, which comprises a major portion of the Campo Lamar Field. Lamargas I is a combination plant for gas conservation and pressure maintenance. It will be put into operation in 1968 and is expected to improve the ultimate recovery of oil in place.

In connection with the Lamargas I plant, plans were completed for the addition of gas-liquids extraction facilities

which will remove natural gasoline, propanes and butanes from the produced gas before it is re-injected into the producing horizons. The gas-liquids facilities, expected to be completed by mid-1969, will be built and owned by Murphy and other producers in the larger fields in central Lake Maracaibo. The project will include an extraction plant in the lake, onshore facilities at Bajo Grande for fractionation and storage and an LPG export terminal.

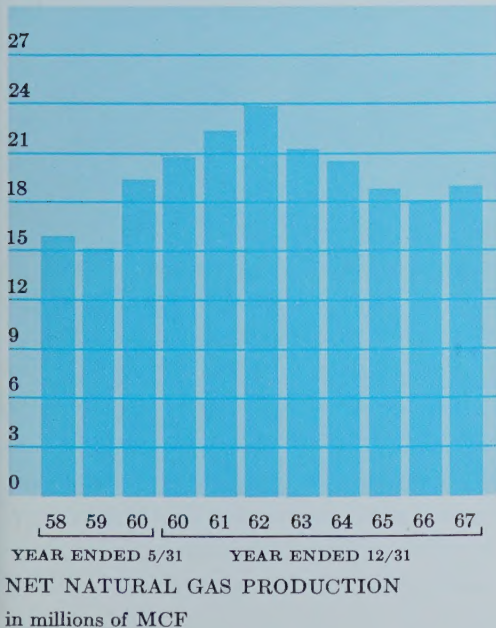
During 1967, the Company's net working interest in Venezuelan production averaged 5,000 barrels a day, a slight increase over the previous high established in 1966. The favorable production rate resulted largely from the effects of including Block 575, in which Murphy's interest is 15 percent, in the Southwest Bachaquero Lower Lagunillas and Laguna Units, which are major pressure maintenance projects near the lake's east shore.

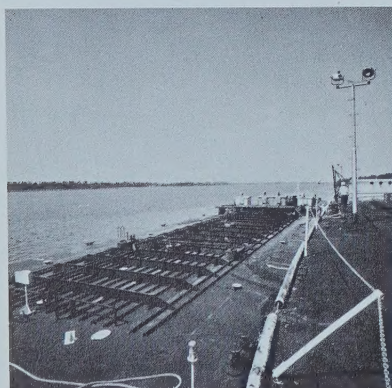
NORTH SEA

Murphy, its affiliate Ocean Drilling & Exploration Company (ODECO) and their partners in the Burmah North Sea Group participated in the drilling of three unsuccessful exploratory wells in the British waters of the North Sea. A fourth well that was drilling at year-end to evaluate the group's 1966 oil discovery about 20 miles north of Cromer off the Norfolk coast was plugged and abandoned in January. Several short seismic programs were conducted during the year and others are anticipated in 1968.

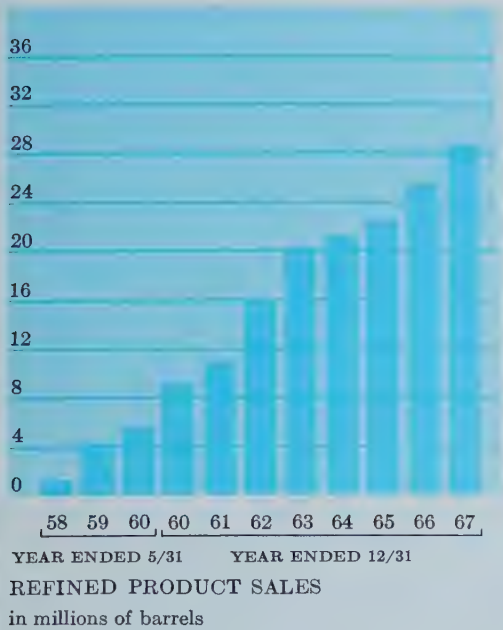
Murphy and ODECO maintained substantially their prior net acreage position in seven licenses covering some 3,340 square miles in British waters, and Murphy increased its participation in the North Sea geological play by taking a 20-percent interest in a 175-square mile on-shore license on the Yorkshire coast. The Burmah Oil Exploration Company Ltd. holds 80 percent and will be the operator.

In Norwegian waters, where Murphy and ODECO jointly hold an offshore license covering 874 square miles, earlier seismic shooting was supplemented by records acquired by exchange. Extensive reprocessing and re-interpretation of data were done.





The Murphy refinery at Superior, Wisconsin receives crude oil by pipeline and ships finished product by rail and water to the Company's terminals in the Upper Midwest. The Meraux, Louisiana refinery receives crude oil by barge and ships product by pipeline and barge to the Company's terminals in the Southeast located on inland waterways and along the Colonial Pipeline. From the terminals, tank trucks take the product to retail outlets. Three new pipeline terminals were built during 1967, and construction was started on a Great Lakes terminal.



LIBYA

The first exploratory well on Concession 105 was started late in November and discovered oil early in 1968. The well has been tested through casing at rates in excess of 1,500 barrels of oil a day. The significance of the discovery is not yet certain, and further information will be obtained from confirmation drilling early in 1968.

The Company's partners in the Libyan group are the French companies Société Nationale des Pétroles d'Aquitaine and Régie Autonome des Pétroles and the Spanish company Hispánica de Petr leos, S.A.

CANADA

Murphy participated in 14 exploratory wells in Canada. Six of these resulted in oil discoveries and one in a gas well. In addition, a gas well drilled in 1964 was dually completed for a new zone discovery.

Sixteen of 21 development wells were completed successfully—14 as oil wells and two as gas producers.

SPAIN

For several years, the Company has participated to the extent of 9.8 percent in the Valdebro Group, which holds concessions on some 600 square miles in Spain. During 1967, Valdebro conducted a three-month seismic survey on the Retuerta

permit in Burgos and decided to drill an exploratory well there in 1968. The prospect is about 20 miles north northeast of the Ayoluengo oil field and 30 miles south of Santander on the Bay of Biscay.

Manufacturing

Crude oil and condensate runs at Murphy's Superior, Wisconsin and Meraux, Louisiana refineries totaled 17,572,000 barrels in 1967 for an average of 48,140 barrels a day. In 1966, the total was 16,575,000 barrels, an average of 45,400 barrels a day. In addition, 12,900 barrels of crude oil a day were processed for Murphy's account at Montreal and Rotterdam.

A concerted effort toward more efficient operating practices, crude and condensate selection and the utilization of new processing techniques, all aimed toward yielding the most profitable refined products, continued. Yields of petroleum products balanced marketing demands in those areas supplied by the refineries.

A record quantity of asphalt was produced and shipped by the Superior Refinery. Modern blending and shipping facilities completed during 1967 made it possible to supply contractor, municipal, county and state requirements for all grades of asphalts and cutbacks.

A crude unit revamp at Superior, started late in 1967, is scheduled for completion in April 1968. This change will improve yields of gasoline and distillate and result in a modest increase in the crude charge rate.

The Meraux Refinery operated at near-maximum crude and condensate charge rates during the year. A modification of the catalytic cracking unit, scheduled to be completed in April 1968, will increase gasoline production by making it profitable to process some charge stocks that presently are being sold to other processors.

Throughout the year, increased cost of crude and condensate for Meraux resulted in a smaller contribution to profits than had been planned. However, benefits resulting from the catalytic cracking unit revamp at Meraux and the crude unit re-

vamp at Superior will restore some of the profits lost to increases in wages and in crude and condensate costs.

Evaluation of prospective locations for a European refinery has been completed with selection of a site near Glasgow, Scotland with a proposed crude oil terminal located on the west coast of Scotland on the deep navigable waters of the Firth of Clyde. Negotiations with local authorities are continuing, and it is anticipated that they will be completed successfully so that construction can start in early 1969.

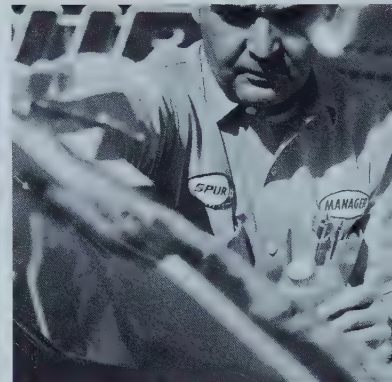
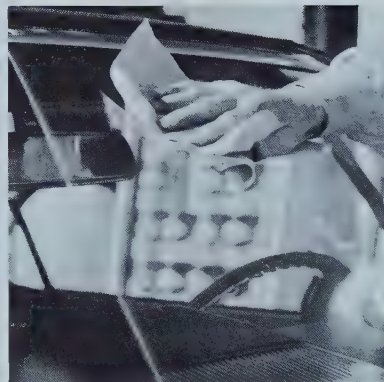
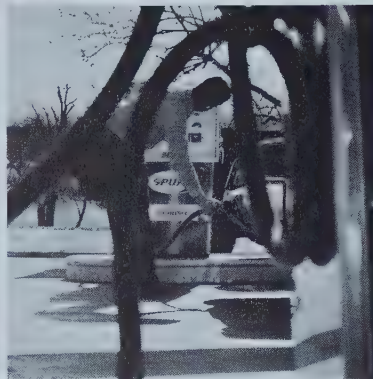
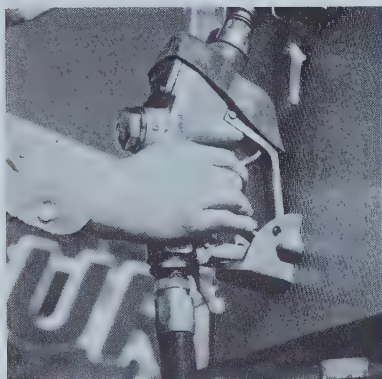
In order to supply a portion of the Company's product requirements in the United Kingdom during 1968, an agreement was negotiated for the processing of 10,000 barrels of North African crude oil a day in Sardinia. Arrangements have been made for the purchase of the North African crude oil until the Company's own Persian Gulf crude becomes available.

Marketing and Distribution

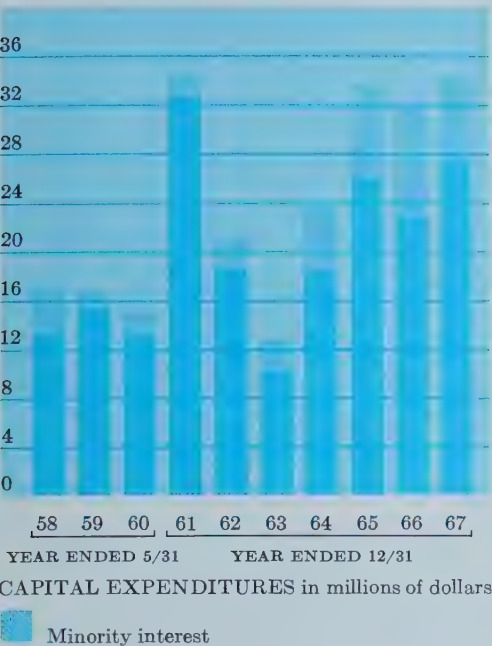
Petroleum product sales in the United States increased 5 percent during 1967 to an average of 53,200 barrels per day for the year. Gasoline sales, at an all-time high, increased 9 percent, and the sale of 948,300 barrels of asphalt set another record. Heating oil sales volumes and prices increased slightly.

During the year, retail prices were disappointing in the Southeast and along the Eastern Seaboard. Wholesale prices in the Southeast deteriorated in the last six months of the year, but both retail and wholesale prices showed improvement in other areas.

The Company continued the construction of "full-service" service stations in key markets near its Meraux and Superior refineries. Forty-four marketing properties in five Northeastern states and the District of Columbia, whose location made them uneconomical to supply and supervise, were sold during the year. In addition, several unprofitable outlets in other areas were closed or sold. The total number of service stations marketing Spur products in the Upper Midwest and



The blend pump gives the motorist a choice of five grades of gasoline. A quality line of motor oils meets or exceeds new car warranty specifications. Late in 1967, the Company started marketing a complete line of Spur branded batteries, including one that is guaranteed for a full 48 months. At lower left, Donna Axum, Miss America of 1964, films a television commercial for Spur. At lower right, a service station attendant shows the attention to service by Spur. Good products, friendly efficient service and advertising and sales promotion have helped Murphy increase its retail sales each year.



Southeast increased 5 percent in 1967 to more than 1,100 at year-end.

The withdrawal from retail markets in the Northeast made it possible to realign seven marketing regions into five with regional headquarters located at Minneapolis, Nashville, Atlanta, New Orleans and Detroit. All five regions report to marketing headquarters at El Dorado. The sales headquarters office formerly located at New Orleans was discontinued.

Advertising and promotion programs continue to support retail sales in key markets. Radio, television and newspaper advertising are used in those markets where the Company enjoys reasonable representation density while individual station promotion is utilized elsewhere.

The Company's tires, batteries and accessories program was expanded late in 1967 with the introduction of a complete line of Spur branded batteries. A new Spur motor oil, meeting or exceeding new car warranty specifications, will be available at Spur outlets early in 1968.

In August, construction was started on a 190,000-barrel products terminal at Ferrysburg, Michigan. This terminal will be supplied by lake tankers from the Superior Refinery.

Southern Facilities, Inc., in which Murphy has a one-third interest, added pipeline terminals at Montgomery, Alabama and at Albany and Augusta, Georgia during the year, bringing its total to 15 at year-end.

The Company has had considerable success in recruiting marketing personnel, and early results of its sales training program show promise. Dealer training also continues to receive high priority and the program will be accelerated.

In Canada, the number of Spur stations in Quebec and Ontario increased to 166 during 1967, and the volume of gasoline sold at retail was 5 percent greater than in the previous year.

Canadian sales of all products increased 24 percent during the year, reaching a new high average of 10,000 barrels a day.

Sales of refined products in the United Kingdom increased 26 percent to an average of 13,000 barrels a day for the year. Partly as a result of acquiring an

independent gasoline marketing company, the number of outlets retailing the Company's Murco, EP and Olympic brands increased to 435.

Entry into the industrial heart of the United Kingdom was accomplished in the fourth quarter of the year by the opening of a new rail-fed, full-products depot at Bedworth, near Birmingham and Coventry.

Expansion of profitable sales volumes in all major products is expected to continue in 1968. Swedish sales of refined products increased 36 percent during 1967.

Products marketed were expanded to include the sale of middle distillates to home and industrial consumers and to service station customers. Favorable market response has resulted in the expansion of existing terminal facilities to provide a greater range of products. At year-end, the Company was supplying 120 retail gasoline outlets selling under the Murco and Uno-X brands.

Timber and Farming

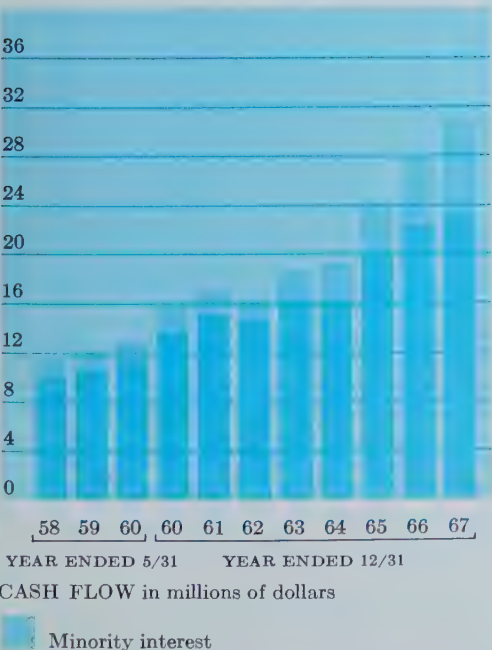
Deltic Farm & Timber Co., Inc., a wholly owned land management subsidiary, experienced a near-record year.

Deltic produced and sold at favorable prices a better-than-average cotton crop in a year when the national crop was the lowest since 1895.

Soybean production was above average on expanded acreage. However, because the national crop was at record levels, Deltic's production was sold at prices lower than those received in 1966.

Volumes of forest products sold were according to plan. Prices for pine and hardwood logs were at a relatively high level, and most of the Company's harvest was sold at these higher prices.

An active forest management program aimed at improving and protecting productivity was continued. Since it is the Company's policy to harvest about half of its annual pine timber growth, which is at a rate of about 6 percent a year, the volume of harvest and the standing reserves of saw timber and pulpwood are at record levels.





Personnel

At year-end, the number of employees totaled 3,873, an increase of 239 from a year earlier. All subsidiary companies had increases in employment because of growth. The number of parent company employees decreased 244 as a result of a continuing program of changing service stations from a Company employee operation to a dealer operation.

Relations with employees in all segments of the Company remained excellent. An agreement was reached with the employees association at the Meraux Refinery, and it will continue in effect through 1968. A two-year contract was negotiated at mid-year with the union at the Superior Refinery.

Improvements were made in the Retirement Plan to allow vesting after 10 years and retirement beginning at age 62 without actuarial reduction. The Group Insurance Plan was improved to provide a liberalization of benefits, and a Salary Continuation Plan was initiated for certain employees to insure a percentage of salary payment in case of total disability.

Charles E. Cowger, a vice president, was elected a senior vice president with general responsibility for manufacturing, marketing and supply and transportation activities. Paul C. Bilger was named general manager of supply and transportation, assuming some of the duties formerly held by Mr. Cowger.

B. Harold Monzingo was designated senior assistant controller, and George E. Breazeal was advanced to assistant controller.

Financial Review

Earnings and Dividends

Consolidated net income was \$8,218,000, equal to \$1.78 a share after providing for dividends on the Preferred and Preference Stock and after deducting \$456,000, 12 cents a share, for consolidated foreign exchange loss arising from the devaluation of the British pound. Current year's earnings per share were further reduced in comparison with 1966 by \$339,000, 9 cents a share, representing a partial year's dividend on the new Cumulative Preference Stock, 5.20% Series, issued during the year. In 1966, earnings were \$8,431,000, equal to \$1.92 a share.

Dividends paid on the Preferred and Preference Stock for the year amounted to \$1,198,000, compared with \$998,000 in 1966. Common Stock dividends of \$1,974,000, equal to 50 cents a share, were paid during the year.

Revenues

Consolidated gross revenues for the year were \$199,187,000, an increase of 9 percent over 1966. Sales amounted to \$172,916,000, compared with \$159,844,000 a year earlier. Revenues from refined product sales were \$144,224,000. This was an 8-percent increase over the \$133,120,000 realized in 1966 and reflects volume increases in all product lines and in all marketing areas. Product prices were somewhat higher overall than those experienced in the prior year. Sales of oil and gas amounted to \$19,850,000, compared with \$18,790,000 a year earlier. Purchased crude oil sales were \$6,304,000, up from \$5,678,000 in 1966. Sales of agricultural products and timber were \$1,619,000, an increase of 22 percent over 1966 results. A good cotton crop sold at relatively high prices and increased soybean harvest due to the planting of additional acreage brought about these results. Bromine and gas plant products sales were \$919,000. Drilling and other operating revenues increased 23 percent to \$24,570,000 with the addition of two new semi-submersible barges to the fleet during the year. Dividends, interest and other income declined \$671,000 to \$1,701,000.

Costs and Deductions

Consolidated costs and deductions were \$190,513,000, 95.6 percent of total revenue, compared with \$173,801,000, 95.4 percent, in 1966. Costs of crude oil, products and related operating expenses amounted to \$133,677,000, an increase of 9 percent over the \$123,021,000 incurred a year earlier. This increase is attributable for the most part to increased volumes of products sold. However, it was augmented by increases in the prices of crude processed, general wage increases and increases in the cost of manufacturing supplies and other operating expenses.

Drilling barge and other operating expenses increased \$1,367,000 to \$10,500,000 because of the operating cost of two additional barges and increased wages and the other expenses.

Exploratory expenses, including dry holes, totaled \$6,931,000. This is an increase of \$1,427,000 over the previous year and results mainly from increased exploration activity in Libya, the North Sea, the Persian Gulf and particularly in the Gulf of Mexico offshore Louisiana. Another factor in the increase was \$580,000 charged against exploratory costs as the result of relinquishing certain Louisiana offshore leases that had been acquired in 1962.

Selling and general expenses amounted to \$14,543,000, compared with \$13,162,000 in 1966. The 10-percent increase of \$1,381,000 was mostly in selling expenses as the result of expanded operations and in wages and salaries due to a general increase early in the year. Despite the fairly substantial increase in total, these expenses remained at 7 percent of total revenues.

Depreciation, depletion and amortization for the year showed the effects of increased production and the addition of two drilling barges to the Company's fleet. Such costs increased \$1,793,000 to total \$13,100,000. Interest expense, which was \$3,514,000 in 1966, rose to \$4,362,000 due to increased borrowing at somewhat higher rates.

Federal, state and foreign income taxes amounted to \$1,037,000, compared with

\$3,194,000 in 1966, and reflect the effect of the relinquishment of certain acreage in the Persian Gulf and Venezuela and a reduction in the provision for deferred and noncurrent taxes resulting from the settlement of certain tax questions with respect to prior years' income.

Included in total costs and deductions for the year were taxes other than taxes on income of \$3,570,000, compared with \$3,129,000 in 1966. Excise taxes totaling \$91,335,000 were collected from customers and remitted to governmental agencies. Excise taxes increased \$12,331,000 over the remittances made in the prior year.

Capital Expenditures

Capital expenditures were \$34,003,000, compared with \$31,662,000 spent in 1966. Additions to property, plant and equipment were \$29,623,000 as shown in detail in the table on page 15. Expenditures of \$4,380,000, including \$3,838,000 for dry holes, were expensed.

Expenditures for production and exploration totaling \$18,787,000 comprised \$1,399,000 in inland United States, \$7,524,000 in the Gulf of Mexico, \$1,379,000 in Canada, \$7,348,000 in Iran, \$385,000 in Libya, \$433,000 in the North Sea, and \$319,000 in other areas.

Manufacturing expenditures were \$1,849,000, including \$390,000 for a revamp of the fluid catalytic cracking unit at the Meraux Refinery and \$719,000 for a manufacturing site in Canada.

Expenditures for service station construction and modernization and for other marketing facilities totaled \$5,961,000. Expenditures in the United States amounted to \$2,120,000, in Canada \$1,098,000 and in the United Kingdom and Sweden \$2,743,000. In addition, service stations costing \$3,865,000 were built by certain financial institutions and leased to the Company.

Additions to drilling barges and equipment cost \$6,803,000, including \$5,632,000 required to complete two semi-submersible barges, one in Norway and one in Australia, which were under construction at the start of the year.

Capital Employed

Working capital at year-end amounted to \$42,409,000, an increase of \$8,229,000 during the year.

Long-term debt, excluding current amounts of \$4,235,000, totaled \$64,856,000 and reflected an increase of \$4,106,000 since the first of the year. The significant changes in long-term debt during the year were an addition of \$7,300,000 to a loan due an insurance company, the borrowing abroad of \$5,788,000 in foreign currency late in the year and offsetting principal payments of \$9,532,000.

At mid-year, the Company again broadened its capital structure by the issuance of 171,933 shares of Cumulative Preference Stock, 5.20% Series, which after deducting the cost of the issue, added \$16,677,000 to stockholders' equity. At December 31, 1967, stockholders' equity totaled \$132,483,000, a net increase of \$21,681,000. During the year, 23,158 shares of Cumulative Preference Stock, 4.90% Series, were converted to 98,408 shares of Common Stock.



Scientific management of the forests, including selective cutting, has resulted in a record inventory of standing timber reserves despite a greater harvest.

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT OF THE COMPANY AND CONSOLIDATED SUBSIDIARIES

	1967 Additions	Investment December 31,	
		1967	1966
Production and exploration . . .	\$14,144,000	121,233,000	109,378,000
Manufacturing	1,804,000	31,923,000	30,253,000
Marketing	5,856,000	43,133,000	40,248,000
Drilling barges and equipment	6,716,000	57,224,000	51,197,000
Farms and timber	603,000	9,038,000	8,690,000
Other	500,000	4,354,000	4,174,000
	<u>\$29,623,000</u>	<u>266,905,000</u>	<u>243,940,000</u>
Reserves for depreciation, depletion and amortization		<u>96,040,000</u>	<u>86,192,000</u>
		<u>\$170,865,000</u>	<u>157,748,000</u>

Statement of Income—YEARS ENDED DECEMBER 31, 1967 and 1966

REVENUES

	1967	1966
Sales.....	\$172,916,000	159,844,000
Drilling and other operating revenues.....	24,570,000	20,016,000
Dividends, interest and other income.....	1,701,000	2,372,000
Total revenues.....	<u>199,187,000</u>	<u>182,232,000</u>

COSTS AND DEDUCTIONS

Crude oil, products and related operating expenses.....	133,677,000	123,021,000
Drilling barge and other operating expenses.....	10,500,000	9,133,000
Exploration expenses including dry holes.....	6,931,000	5,504,000
Selling and general expenses.....	14,543,000	13,162,000
Depreciation, depletion and amortization.....	13,100,000	11,307,000
Taxes other than income taxes.....	3,570,000	3,129,000
Interest expense.....	4,362,000	3,514,000
Federal, state and foreign income taxes.....	1,037,000	3,194,000
Minority interests' income.....	2,793,000	1,837,000
Total costs and deductions.....	<u>190,513,000</u>	<u>173,801,000</u>

INCOME BEFORE EXTRAORDINARY ITEM.....

8,674,000 8,431,000

Extraordinary item—loss on devaluation of British pound, net of income tax
(\$.12 per share).....

456,000 —

NET INCOME

\$ 8,218,000 8,431,000

Per share of Common Stock:

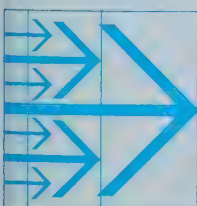
Net income.....	\$ 1.78	1.92
Pro forma net income assuming conversion of all outstanding Cumulative Preference Stock and exercise of outstanding warrant and options.....	\$ 1.68	1.77

See accompanying notes to financial statements, page 20.

Balance Sheet—DECEMBER 31, 1967 and 1966

ASSETS	1967	1966
Current assets:		
Cash.....	\$ 9,047,000	10,223,000
Certificates of deposit.....	9,345,000	2,143,000
Marketable securities, at cost which approximates market	5,726,000	4,638,000
Accounts receivable, less allowance for doubtful accounts	35,104,000	26,137,000
Inventories.....	23,122,000	20,996,000
Total current assets.....	82,344,000	64,137,000
Investments and noncurrent receivables, principally at cost	11,458,000	5,908,000
Property, plant and equipment, at cost less reserves.....	170,865,000	157,748,000
Deferred charges and other assets.....	5,078,000	3,456,000
	<u>\$269,745,000</u>	<u>231,249,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current amounts of long-term debt	\$ 4,235,000	4,557,000
Notes payable.....	2,298,000	—
Accounts payable and accrued liabilities.....	31,699,000	24,273,000
Income taxes.....	1,703,000	1,127,000
Total current liabilities.....	39,935,000	29,957,000
Long-term debt, less current amounts.....	64,856,000	60,750,000
Deferred credits and other liabilities.....	2,854,000	1,954,000
Deferred and noncurrent income taxes.....	5,225,000	5,968,000
Minority interests in subsidiaries.....	24,392,000	21,818,000
Stockholders' equity.....	132,483,000	110,802,000
	<u>\$269,745,000</u>	<u>231,249,000</u>

See accompanying notes to financial statements, page 20.



Statement of Stockholders' Equity—DECEMBER 31, 1967 and 1966

CAPITAL STOCK

	<u>1967</u>	<u>1966</u>
Cumulative Preferred Stock, Series A, 5½%, par \$100, authorized and issued 41,342 shares	\$ 4,134,000	4,285,000
Cumulative Preference Stock, par \$100, authorized 400,000 shares:		
4.90% Series, authorized and issued 131,664 shares	13,166,000	15,482,000
5.20% Series, authorized and issued 171,933 shares	17,193,000	—
Common Stock, par \$1.00, authorized 6,000,000 shares, issued 3,990,747 shares . .	3,991,000	3,877,000
Capital Stock at end of year	<u>38,484,000</u>	<u>23,644,000</u>

CAPITAL IN EXCESS OF PAR VALUE

Balance at beginning of year	49,086,000	48,503,000
Credits relative to sale of Common Stock by Ocean Drilling & Exploration Company	—	578,000
Excess of proceeds over par value of Common Stock issued	2,505,000	5,000
Capital in Excess of Par Value at end of year	<u>51,591,000</u>	<u>49,086,000</u>

RETAINED EARNINGS

Balance at beginning of year	38,090,000	32,711,000
Net income for the year	8,218,000	8,431,000
Cost of issuance of Cumulative Preference Stock, 5.20% Series	(517,000)	—
Credits relative to sale of Common Stock by Ocean Drilling & Exploration Company	—	56,000
Cost of issuance of Preferred Stock by Murphy Oil Company Ltd.	—	(174,000)
Cash dividends declared:		
Preferred and Preference Stock	(1,391,000)	(996,000)
Common Stock—\$0.50 a share	(1,974,000)	(1,938,000)
Retained Earnings at end of year	<u>42,426,000</u>	<u>38,090,000</u>
Treasury stock, 1,000 shares of Common Stock, at cost	<u>(18,000)</u>	<u>(18,000)</u>

TOTAL STOCKHOLDERS' EQUITY	<u>\$132,483,000</u>	<u>110,802,000</u>
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See accompanying notes to financial statements, page 20.

Statement of Source and Application of Funds—YEARS ENDED
DECEMBER 31, 1967 and 1966

SOURCE OF FUNDS

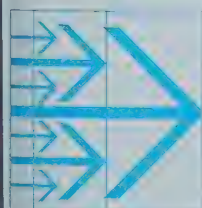
	<u>1967</u>	<u>1966</u>
Net income.....	\$ 8,218,000	8,431,000
Depreciation, depletion and amortization.....	13,100,000	11,307,000
Abandoned properties.....	1,633,000	802,000
Deferred and noncurrent income taxes.....	603,000	2,063,000
Minority interests' income.....	2,793,000	1,837,000
Other.....	<u>1,891,000</u>	<u>2,405,000</u>
Funds provided by operations.....	28,238,000	26,845,000
Sale of Preference Stock.....	16,677,000	—
Increase in long-term debt.....	4,106,000	6,496,000
Minority interests' investment in subsidiaries.....	—	6,964,000
Other.....	<u>2,291,000</u>	<u>986,000</u>
Total funds provided.....	<u>51,312,000</u>	<u>41,291,000</u>

APPLICATION OF FUNDS

Additions to property, plant and equipment.....	29,623,000	27,886,000
Dividends.....	3,365,000	2,934,000
Major drilling barge and refinery repairs.....	991,000	1,169,000
Investments and noncurrent receivables.....	5,550,000	2,757,000
Settlement of deferred and noncurrent income taxes.....	1,346,000	—
Other.....	<u>2,208,000</u>	<u>931,000</u>
Total funds applied.....	<u>43,083,000</u>	<u>35,677,000</u>

INCREASE IN WORKING CAPITAL.....	<u>\$ 8,229,000</u>	<u>5,614,000</u>
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See accompanying notes to financial statements, page 20.



Notes to Financial Statements

(See pages 15 and 21 for details of property, plant and equipment and long-term debt, respectively.)

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the assets and liabilities and operations of Murphy Oil Corporation and its significant majority-owned subsidiaries. In the consolidated financial statements, all intercompany asset and liability accounts and intercompany income and expense transactions have been eliminated.

Foreign currency amounts have been converted to United States dollars at appropriate rates of exchange. The conversion gains or losses which were insignificant in amount have been included in income.

A loss of \$456,000 (net of \$91,000 income tax) resulting from devaluation of the British pound has been treated as an extraordinary item in the accompanying statement of income.

The geographical distribution of consolidated assets and net income is shown below:

	<i>Assets</i>	<i>Net Income</i>
U. S.....	\$169,688,000	6,959,000
Other Western Hemisphere.....	34,767,000	1,586,000
Eastern Hemisphere	65,290,000	(327,000)
	<u>\$269,745,000</u>	<u>8,218,000</u>

INVENTORIES

Inventories of finished products are stated at the lower of cost (applied on a first-in, first-out basis) or market, and inventories of crude oil are stated at market prices. Materials and supplies are stated at average cost. Inventories at December 31, 1967 and 1966 were as follows:

	<i>1967</i>	<i>1966</i>
Crude oil and finished products.	\$20,685,000	18,105,000
Materials and supplies.....	2,437,000	2,891,000
	<u>\$23,122,000</u>	<u>20,996,000</u>

DEPRECIATION AND DEPLETION

Depreciation and depletion of producing oil and gas properties are determined on the unit-of-production method using the individual remaining recoverable oil and gas reserves of each property except in the case of properties located offshore Louisiana where a composite unit-of-production method is followed using the total remaining recoverable offshore reserves. Depreciation of marketing and refining properties, drilling barges and related equipment, and other properties is provided by use of the straight-line method based on the estimated useful lives of the properties.

INCOME TAXES

Federal, state and foreign income taxes have been provided as follows:

	<i>Federal</i>	<i>State and Foreign</i>	<i>Total</i>
Current year....	\$260,000	751,000	1,011,000
Operating loss carryback....	(577,000)	—	(577,000)
Net current provision.	(317,000)	751,000	434,000
Noncurrent—settlement of prior years' taxes.....	14,000	(70,000)	(56,000)
Deferred—net ..	610,000	49,000	659,000
Total.....	<u>\$307,000</u>	<u>730,000</u>	<u>1,037,000</u>

During 1967 a subsidiary settled its Federal income taxes for 1964 and 1965 and agreed to follow new and longer depreciation guideline lives for certain of its drilling barges and related equipment. As a result, additional investment tax credits of \$390,000 for those years have been applied to reduce the 1967 provision for deferred taxes and \$1,170,000 has been transferred from deferred and non-current income taxes to income taxes currently payable. The 1967 provision for taxes has been reduced \$202,000, the estimated amount of investment tax credit allowable.

Unused investment credit of approximately \$1,800,000 at December 31, 1967, not reflected in the financial statements, is available as a carryover to future years. Noncurrent taxes relate to matters the settlement of which is uncertain. Deferred taxes arise from accelerated depreciation used for tax purposes.

EMPLOYEE RETIREMENT PLANS

The Company and certain subsidiaries have several retirement plans covering substantially all of their employees, including certain employees in foreign countries. The cost of the plans for the year was \$412,000, which includes amortization of prior service costs over periods ranging from five to 12 years. Such cost is funded as accrued. As of December 31, 1967 the total of retirement plan funds and balance sheet accruals was sufficient to cover the actuarially computed value of vested benefits. The unfunded prior service cost is approximately \$685,000.

STOCK OPTIONS AND WARRANT

Options to purchase 17,220 shares of Common Stock which were granted prior to January 1, 1964 to officers and key employees under the Company's Employee Stock Option Plan were outstanding at December 31, 1967. These options are exercisable at prices ranging from \$18.75 to \$19.04 a share which represent 95% of the fair market value of the shares covered by each option on the date of grant, adjusted pursuant to anti-dilution provisions. Options to purchase 16,020 shares were exercisable at December 31, 1967. Options were exercised during the year with respect to 15,148 shares at prices ranging from \$18.88 to \$20.50 and an option for 700 shares expired.

A warrant, issued in 1961 pursuant to terms of a loan agreement and expiring in 1976, is

outstanding for the purchase of 158,550 shares of the Company's Common Stock at \$21.76 a share until September 1, 1971 and \$29.46 a share thereafter.

STOCKHOLDERS' EQUITY

The loan agreement of the Company and the provisions of the Certificate of Incorporation as amended, relating to the Cumulative Preferred Stock, Series A, contain, among other things, restrictions on the payment of dividends, other than dividends payable in Common Stock. At December 31, 1967, under the most restrictive of such provisions, earnings retained in the business amounting to approximately \$10,312,000 were free from such restrictions.

Each share of Cumulative Preference Stock is convertible at the option of the holder thereof at the rates and into the number of shares of Common Stock set forth below:

	<i>4.90% Series</i>	<i>5.20% Series</i>
Conversion rates..	4.25	2.50
Shares reserved for conversion.....	559,572	429,833
Dates conversion privilege expires	June 1, 1980	June 1, 1982

During the year 23,158 shares of the 4.90% Series were converted into 98,408 shares of Common Stock.

REPORTING OF CRUDE-OIL EXCHANGES

Effective January 1, 1967 the Company and its subsidiaries changed their method of reporting crude-oil exchanges from the "gross purchases and sales method" to the "inventory adjustment or exchange method." The change reduces both sales and related costs by equal amounts and accordingly does not affect net income. Sales and related costs as previously reported for the year ended December 31, 1966 have been decreased \$17,029,000 to reflect this change.

COMMITMENTS

The Company and its subsidiaries are obligated as lessees under long-term leases expiring more than three years after December 31, 1967 principally on service stations and office space. The minimum annual rentals payable under these leases (without reduction of related rental income) are approximately \$3,304,000. Set forth below are the annual rentals on leases expiring within the periods indicated:

1971-1977.....	\$1,247,000
1978-1987.....	1,332,000
After 1987.....	725,000
	<u>\$3,304,000</u>

The leases generally contain multiple renewal options and leases on service stations provide that the companies shall pay property taxes, insurance and other charges.

Commitments had been made at December 31, 1967 for capital expenditures of approximately \$5,600,000.

Long-term Debt—DECEMBER 31, 1967

MURPHY OIL CORPORATION

Notes, 6¼% due 1969 to 1983.....	
Mortgage notes, 5% due 1968 to 1970.....	
Total Company.....	

CURRENT

LONG-TERM

\$ —	36,000,000
40,000	80,000
<u>40,000</u>	<u>36,080,000</u>

SUBSIDIARIES

Notes, 5.32% due 1970 to 1979(a).....	
Mortgage note, 5½% due 1968 to 1983.....	
Mortgage notes, 5½% due 1968 to 1982.....	
Notes payable to foreign branch of U. S. bank, 7½% and 6½% due 1968 and 1969	
Notes payable to bank, 5½–6% due 1968 to 1970.....	
Note payable to foreign bank, 6½% due 1972.....	
Other indebtedness due 1968 to 1981.....	
Total Subsidiaries.....	

1,014,000	12,108,000
135,000	3,459,000
150,000	2,075,000
2,000,000	3,000,000(b)
800,000	1,600,000
—	5,788,000(c)
96,000	746,000
<u>4,195,000</u>	<u>28,776,000</u>

CONSOLIDATED

<u>\$4,235,000</u>	<u>64,856,000</u>
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Amounts becoming due for the four years after 1968 are: 1969, \$6,692,000; 1970, \$5,548,000; 1971, \$4,181,000; and 1972, \$9,980,000.

(a) Additional annual payments are required when earnings of the subsidiary exceed a certain amount. (b) Interest rate for succeeding year is negotiable in August 1968. In event of default, the note is payable from revenues of a drilling barge. (c) Equivalent.

Accountants' Report

THE BOARD OF DIRECTORS,
MURPHY OIL CORPORATION:

We have examined the balance sheet of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 1967 and the related statements of income and stockholders' equity and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and stockholders' equity present fairly the financial position of Murphy Oil Corporation and Consolidated Subsidiaries at December 31, 1967 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and application of funds presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

SHREVEPORT, LOUISIANA
MARCH 6, 1968

Financial

	1967	1966	1965
Sales and operating revenues:			
Oil and gas and refined products.....	\$ 171,706,000	158,973,000	142,549,000
Drilling revenue.....	\$ 24,161,000	19,557,000	15,956,000
Agricultural products and timber.....	\$ 1,619,000	1,330,000	1,203,000
Nonoperating income.....	\$ 1,701,000	2,372,000	1,275,000
Total gross revenues.....	\$ 199,187,000	182,232,000	160,983,000
Net income**.....	\$ 8,218,000	8,431,000	6,373,000
Net income per share**.....	\$ 1.78	1.92	1.47
Cash flow**.....	\$ 23,753,000	22,383,000	19,888,000
Cash flow per share**.....	\$ 5.74	5.52	4.96
Capital expenditures:			
Production and exploration.....	\$ 18,787,000	11,599,000	18,495,000
Manufacturing.....	\$ 1,849,000	2,524,000	533,000
Marketing.....	\$ 5,961,000	4,280,000	3,226,000
Contract drilling.....	\$ 6,803,000	13,023,000	10,930,000
Timber.....	\$ 603,000	236,000	240,000
Total capital expenditures.....	\$ 34,003,000	31,662,000	33,424,000
Total assets.....	\$ 269,745,000	231,249,000	205,380,000
Working capital.....	\$ 42,409,000	34,180,000	28,566,000
Long-term debt.....	\$ 64,856,000	60,750,000	54,254,000
Stockholders' equity.....	\$ 132,483,000	110,802,000	104,991,000
Cash dividends—Preferred and Preference.....	\$ 1,198,000	998,000	686,000
—Common.....	\$ 1,974,000	1,938,000	1,936,000
Shares of Common Stock outstanding.....	3,989,747	3,876,191	3,875,891

People

Stockholders.....	4,980	5,228	4,973
Employees.....	3,873	3,634	3,879
Wages and benefits.....	\$ 23,881,000	21,347,000	18,650,000

Production and Exploration

Crude oil and gas liquids produced—barrels, net.....	7,388,000	7,147,000	6,718,000
Natural gas produced—MCF, net.....	18,863,000	18,088,000	18,827,000
Net wells completed:			
Oil wells.....	26	29	37
Gas wells.....	3	2	3
Dry holes.....	18	35	32
Oil and gas wells owned—net.....	619	602	592
Undeveloped acreage, net.....	2,436,180	2,338,983	2,965,124

Manufacturing

Barrels of crude processed:			
At Company refineries.....	17,572,000	16,575,000	15,027,000
At other refineries.....	4,693,000	3,880,000	2,808,000
Crude refining capacity—barrels per day.....	50,000	47,000	44,000

Marketing

Refined products sold—barrels:			
Gasoline.....	15,745,000	14,165,000	12,064,000
Distillates.....	7,522,000	6,871,000	6,377,000
Residuals.....	4,300,000	3,803,000	3,725,000
Asphalt.....	948,000	737,000	410,000
Total.....	28,515,000	25,576,000	22,576,000
Branded retail outlets—leased and owned.....	833	779	735
—others.....	995	665	598

*Includes data for the entire period with respect to operations for Spur Oil Company to reflect a "pooling of interests" in 1960.

**After elimination of minority interests.

Net income for the year ended December 31, 1960 does not include the special credit of \$1,377,420 representing profit from sale of properties.

Cash flow equals net income plus depreciation, depletion, amortization, canceled and surrendered leases, geophysical expense, dry hole contributions, dry holes and abandonments, and provision for deferred and noncurrent income tax.

Net income and cash flow per share figures and the number of shares of Common Stock outstanding have been adjusted for the stock dividends of 2% in 1962 and 4% in 1959.

1964	1963	1962	1961	1960*	1960	1959	1958
130,887,000	125,216,000	122,174,000	97,591,000	85,001,000	48,518,000	37,878,000	19,589,000
12,404,000	9,258,000	6,962,000	6,629,000	7,674,000	7,249,000	6,424,000	7,661,000
1,189,000	1,241,000	1,136,000	1,085,000	1,004,000	1,018,000	950,000	970,000
904,000	790,000	718,000	685,000	157,000	529,000	242,000	365,000
145,384,000	136,505,000	130,990,000	105,990,000	93,836,000	57,314,000	45,494,000	28,585,000
4,254,000	4,760,000	3,056,000	5,049,000	4,544,000	3,507,000	2,919,000	2,759,000
1.03	1.16	.72	1.40	1.35	1.34	1.12	1.10
16,181,000	16,315,000	14,664,000	15,109,000	13,690,000	11,390,000	10,602,000	9,938,000
4.12	4.16	3.73	4.24	4.06	4.34	4.08	3.98
11,097,000	6,373,000	12,903,000	11,717,000	—	8,410,000	9,572,000	11,387,000
558,000	293,000	1,900,000	16,824,000	—	1,217,000	4,251,000	—
3,124,000	2,225,000	3,457,000	5,525,000	—	4,692,000	2,326,000	156,000
8,391,000	3,784,000	2,750,000	230,000	—	235,000	256,000	4,689,000
430,000	110,000	126,000	139,000	—	196,000	221,000	868,000
23,600,000	12,785,000	21,136,000	34,435,000	—	14,750,000	16,626,000	17,100,000
175,497,000	160,539,000	158,209,000	149,090,000	120,564,000	98,473,000	87,723,000	73,816,000
18,233,000	20,577,000	18,632,000	16,923,000	16,697,000	15,730,000	9,000,000	8,932,000
47,503,000	43,629,000	45,311,000	36,594,000	33,032,000	32,843,000	27,823,000	24,586,000
86,388,000	84,408,000	81,955,000	81,239,000	62,004,000	46,940,000	41,965,000	36,661,000
254,000	263,000	271,000	130,000	—	—	—	—
1,935,000	1,931,000	1,919,000	1,725,000	—	—	—	—
3,870,527	3,862,633	3,856,269	3,856,269	3,407,470	2,667,974	2,605,843	2,506,840
5,417	5,220	5,600	5,775	6,430	2,320	1,370	1,350
3,585	3,418	3,415	3,410	2,555	972	808	632
16,357,000	15,300,000	15,196,000	12,269,000	10,741,000	5,589,000	4,423,000	3,671,000
5,825,000	5,598,000	5,741,000	5,127,000	5,543,000	5,139,000	4,291,000	3,694,000
20,665,000	21,246,000	23,993,000	22,414,000	20,961,000	19,444,000	15,092,000	15,886,000
36	28	18	25	—	29	32	43
5	4	6	2	—	2	4	4
14	17	15	12	—	13	12	19
548	484	458	451	459	472	398	381
3,709,104	2,246,927	6,085,783	3,071,181	5,115,649	5,172,809	3,257,973	1,716,437
14,334,000	14,082,000	12,479,000	5,976,000	4,311,000	3,394,000	2,751,000	—
1,464,000	1,460,000	1,460,000	504,000	1,453,000	859,000	690,000	—
43,000	43,000	40,000	35,000	15,000	15,000	13,500	—
10,848,000	9,368,000	8,385,000	6,174,000	5,034,000	1,815,000	1,425,000	465,000
5,254,000	6,196,000	4,384,000	2,494,000	1,832,000	1,496,000	1,228,000	430,000
4,694,000	4,270,000	2,935,000	2,203,000	2,147,000	2,150,000	1,602,000	485,000
396,000	282,000	267,000	280,000	238,000	172,000	151,000	—
21,192,000	20,116,000	15,971,000	11,151,000	9,251,000	5,633,000	4,406,000	1,380,000
681	636	607	586	464	133	106	90
470	337	333	314	172	172	167	—

Board of Directors

Bruce K. Brown (1960)
New Orleans, Louisiana
Management Consultant, formerly Chairman
of the Board

Dr. John W. Deming (1950)
Alexandria, Louisiana
Physician

*Charles J. Hoke (1950)
Senior Vice President

F. B. Ingram (1961)
New Orleans, Louisiana
President, Ingram Barge Company

The Rt. Rev. Christoph Keller, Jr. (1950)
Little Rock, Arkansas
Bishop Coadjutor, Episcopal Diocese of
Arkansas

*C. H. Murphy, Jr. (1950)
President

*William C. Nolan (1950)
El Dorado, Arkansas
Partner, Munoco Company

*J. A. O'Connor, Jr. (1955)
Chairman of the Board

Ralph Owen (1960)
Nashville, Tennessee
President, Equitable Securities Corporation,
and Chairman of the Board, American
Express Company

*Member of the Executive Committee
(Year of election to the Board indicated in
parentheses)

Annual Meeting

*The annual meeting
of the stockholders of the Company
will be held May 1, 1968
at the El Dorado Fine Arts Center,
El Dorado, Arkansas.*

Officers

C. H. Murphy, Jr., *President*

J. A. O'Connor, Jr.,
Chairman of the Board

Charles J. Hoke, *Senior Vice President*

Charles E. Cowger, *Senior Vice President*

John M. Brown, *Vice President*

John L. Solomon, *Vice President*

Robert J. Sweeney, *Vice President*

James R. Jones, *Controller*

L. R. Beasley, *Treasurer*

Jerry W. Watkins, *Secretary*

Transfer Agents and Registrars

COMMON STOCK

TRANSFER AGENTS

Chemical Bank New York Trust Company,
New York

Mercantile Trust Company N. A., St. Louis

REGISTRARS

Morgan Guaranty Trust Company of New
York, New York

St. Louis Union Trust Company, St. Louis

CUMULATIVE PREFERRED STOCK

SERIES A

Murphy Oil Corporation, El Dorado, Arkansas

CUMULATIVE PREFERENCE STOCK

4.90% SERIES

Transfer Agent—The Chase Manhattan Bank
N. A., New York

Registrar—First National City Bank, New York

5.20% SERIES

Transfer Agent—Chemical Bank New York
Trust Company, New York

Registrar—Morgan Guaranty Trust Company
of New York, New York

Principal Subsidiary Companies

Deltic Farm & Timber Co., Inc. (100%)
Farm and timber properties in Arkansas and
Louisiana

Murco Libya Oil Company (100%)
Oil and gas exploration, development and
production in Libya

Murco Petroleum Limited (100%)
Retail and wholesale marketing of petroleum
products in Great Britain

Murphy Middle East Oil Company (100%)
Oil and gas exploration, development and
production in the Middle East

Murphy Oil Company Ltd. (89%)
Oil and gas exploration, development and production
and retail and wholesale marketing of petroleum
products in Canada

Murphy Oil International Finance
Corporation (100%)
Financing of capital requirements of foreign
operations

Murphy Oil Trading Company (100%)
Purchase, sale and transportation of crude oil and
refined petroleum products

Murphy Oil Venezolano, C. A. (100%)
Oil and gas exploration, development and production
in Venezuela

Ocean Drilling & Exploration Company
(51%)
Drilling contracting and exploration on continental
shelves worldwide—Oil and gas production in the
Gulf of Mexico

Svenska Murco Petroleum Aktiebolag
(100%)
Retail and wholesale marketing of petroleum
products in Sweden

MURPHY OIL CORPORATION

200 JEFFERSON AVENUE
EL DORADO, ARKANSAS 71730

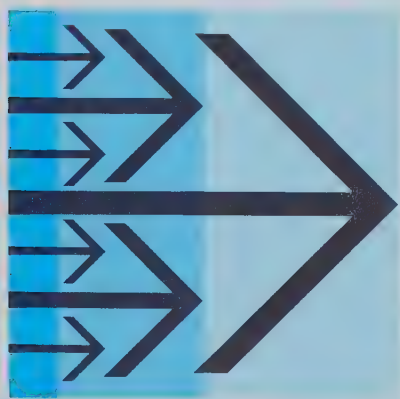
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Annual Report 1967




MURPHY
OIL CORPORATION



AR39

Semiannual Report

June 30, 1967

Full




MURPHY
OIL CORPORATION

TO THE STOCKHOLDERS

Murphy Oil Corporation's net income for the first half of 1967 was \$224,000 less than in the like period of 1966, and second-quarter earnings were \$500,000 less than a year earlier. In each case, this was after a \$580,000 charge against consolidated earnings as a result of relinquishing certain Louisiana offshore leases that were acquired in 1962 and on which wells capable of production had not been completed before the expiration of their primary terms in June.

Record refined product sales, refinery runs, crude oil production and contract drilling were achieved during the six months. The improvements more than offset a sharp increase in exploration costs as drilling, which lagged earlier in the year, was resumed in the North Sea, commenced on our unexplored "H" Block in Iran and accelerated offshore Louisiana.

Earnings for the six months were \$2,980,000, the equivalent of 64 cents a share of Common Stock after Preferred and Preference dividends. This compares with \$3,204,000, 70 cents a share, in the first half of 1966. As the second quarter bore the brunt of the offshore relinquishments and accelerated drilling, net income during that period declined to \$766,000 or 13 cents a share of Common Stock. In the second quarter of last year, earnings were \$1,266,000 or 26 cents a share.

We are pleased to be able to report that the Company's operations in the Persian Gulf and North Africa were unaffected by the recent Middle East crisis. Normal drilling continued in the Sassan Field in the Iranian sector of the Persian Gulf. The accumulation of materials for installation of a pipeline to Lavan Island and construction of a crude oil port there have been delayed only slightly, if at all. Seismic operations in Libya were not interrupted by the crisis.

Pending production from our jointly held property in the Persian Gulf, we are buying crude oil in Libya and Iran to supply a part of the requirements of our European and Canadian markets. The flow from Libya was interrupted

briefly, and closure of the Suez Canal caused delays in crude oil shipments from Iran. Normal inventories and reserve supplies permitted unrestricted deliveries to our retail outlets and bulk customers.

Inventories and rearranged supply lines are sufficient to continue normal deliveries into the fourth quarter of this year. If the Canal remains closed beyond that time, other measures may become necessary. The additional cost of longer hauls and other extraordinary charges are difficult to reckon at this time, but, to the extent possible, they will be covered by government-approved surcharges in Great Britain and by selective price increases elsewhere.

As the table shows, crude oil production during the six months rose to an average of 20,109 barrels a day, compared with 19,592 barrels a day during the first half of 1966, natural gas production to 51,868,000 cubic feet a day, compared with 50,092,000, refinery runs to 47,789 barrels a day, compared with 43,099, and finished petroleum product sales to 76,148 barrels a day, compared with 64,677.

The Company is increasing its capitalization by means of a new issue of Preference Stock offered to holders of its Common Stock which has been described fully in a prospectus issued in connection therewith.

The regular quarterly dividend of 12½ cents a share on Common Stock was paid June 29 to stockholders of record June 16. Quarterly dividends of \$1.37½ a share on the Company's Cumulative Preferred Stock, Series A, and \$1.22½ a share on the Cumulative Preference Stock, 4.90% Series, were paid June 1 to holders of record May 15.

C. H. Murphy, Jr.
President

El Dorado, Arkansas
August 3, 1967



A new Alkylation Unit has increased efficiency at the Meraux Refinery

Consolidated Statement Of Income

	Six Months Ended June 30		Quarter Ended June 30	
	1967	1966	1967	1966
SALES AND OPERATING REVENUES.....	\$95,816,000	84,946,000	47,111,000	41,634,000
COSTS AND DEDUCTIONS				
Crude oil, products and operating expenses	70,177,000	61,557,000	33,938,000	30,243,000
Exploration expenses including dry holes.....	3,727,000	3,424,000	2,942,000	1,788,000
Selling and general expenses.....	6,959,000	6,344,000	3,505,000	3,324,000
Depreciation, depletion and amortization.....	6,298,000	5,490,000	3,219,000	2,758,000
Taxes other than income taxes.....	1,591,000	1,487,000	776,000	757,000
Interest expense.....	2,045,000	1,698,000	1,092,000	838,000
Federal, state and foreign income taxes.....	916,000	980,000	218,000	372,000
Income applicable to minority interests.....	1,123,000	762,000	655,000	288,000
Total costs and deductions.....	92,836,000	81,742,000	46,345,000	40,368,000
NET INCOME	\$ 2,980,000	3,204,000	766,000	1,266,000
Net income per share applicable to Common Stock.....	\$ 0.64	0.70	0.13	0.26
Average number of shares of Common Stock outstanding.....	3,891,155	3,876,191		

The above interim statement is based in some respects on estimates subject to year-end adjustments. Such statement has not been examined by independent accountants.

Operating Summary

	Six Months Ended June 30		Quarter Ended June 30	
	1967	1966	1967	1966
Net crude oil and natural gas liquids produced - barrels a day.....	20,109	19,592	19,746	19,864
Net natural gas produced - thousands of cubic feet a day.....	51,868	50,092	47,314	46,490
Refinery crude runs - barrels a day.....	47,789	43,099	49,141	42,822
Finished petroleum products sold - barrels a day.....	76,148	64,677	71,317	62,144